

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
July 21, 2011**

The Board of Directors (“Board”) of Denton County Fresh Water Supply District No. 10, of Denton County, Texas (“District”), met in regular session, open to the public, on Thursday, July 21, 2011 at 6:00 p.m., at the Savannah Clubhouse, 701 Savannah Boulevard, Savannah, Texas, inside the District, for which notice was given as required by Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

The roll was called of the duly appointed members of the Board, to wit:

Robert Tague	President
Rob Adams	Vice President
Tammy Fritz	Secretary
Mary Lehto	Asst. Secretary
Michael Ryan	Director

All members of the Board were present, with the exception of Directors Tague and Ryan, who entered later as noted below. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Jeff Winkler, P.E. of Graham Associates, Inc.; Mr. Todd Madison of Texas Water Company; Ms. Lisa Bloomfield of Kathi Dye, CPA, P.C.; Mr. Greg Wilkerson of Blue Line Services; Mr. Brian Toldan of McCall Gibson Swedlund Barfoot PLLC; Mr. Scott Harris, Mr. Marshall Addison and Mr. Will Walton of Corona Artesia LLC; Mr. Jon TenBroeck, Mr. Stuart Smith, District residents; Mr. Clay E. Crawford of Crawford & Jordan LLP; and additional District residents and other members of the general public.

1. The Vice President called the meeting to order at 7:05 p.m., after determining that a quorum was present.
2. Consideration was first given to public comments. The Vice President opened the meeting to public comment. He recognized Mr. Smith, who addressed the Board regarding a situation he experienced, where a moving truck backed into his yard and he called 911 due to threats from the operator of the moving truck. Mr. Smith noted that the District patrol car did not have a radio and urged the Board to consider installation of a radio in the District patrol car. After noting that there were no additional members of the public present and desiring to come before the Board, upon motion duly made by Director Lehto, seconded by Director Fritz and unanimously carried, the Vice President closed the public comment session of the meeting.
3. Consideration was next given to the review and approval of the Minutes of the June 16, 2011, Board of Directors Meeting. After discussion on the matter, Director Fritz moved that the Board approve the Minutes of the June 16, 2011, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Lehto seconded said motion, which carried unanimously.

- Consideration was next given to the review and approval of the Minutes of the July 12, 2011, Board of Directors Meeting. After discussion on the matter, Director Fritz moved that the Board approve the Minutes of the July 12, 2011, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Lehto seconded said motion, which carried unanimously.
4. Consideration was next given to the review and approval of the Tax Assessor/Collector's report, and the taking of any action necessary or appropriate in connection therewith. Ms. Bloomfield presented and reviewed with the Board a report, a copy of which is attached hereto as **Exhibit "A"**. She noted that as of June 30, 2011, the District's 2010 tax levy was approximately 99.35% collected. After discussion on the matter, Director Fritz moved that the Board approve the Tax Assessor/Collector's report. Director Lehto seconded said motion, which carried unanimously.
 5. Consideration was next given to review and acceptance of the Developer's Report, as presented by Mr. Jameson. A copy of such Report is attached hereto as **Exhibit "B"**. Mr. Jameson reported that, as of June 30, 2011, in Savannah 1,401 lots have been prepared for construction; 1,273 lots have been conveyed to builders; 1,257 construction permits have been issued; and 1,216 homes were occupied. After discussion on the matter, Director Fritz moved that the Board accept the Developer's Report as presented. Director Lehto seconded said motion, which carried unanimously.
 6. Consideration was next given to the review and approval of the Bookkeeper's Report presented by Ms. Bloomfield, a copy of which is attached hereto as **Exhibit "C"**. After discussion on the matter, and thorough review of the checks presented, Director Fritz moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director Lehto seconded said motion, which carried unanimously.
 7. Consideration was next given to review and approval of the operating budget for the fiscal year ending July 31, 2012 presented by Ms. Bloomfield, a copy of which is attached hereto as **Exhibit "D"**. After discussion on the matter, Director Fritz moved that the Board approve the operating budget for the fiscal year ending July 31, 2012, as presented and approve the Order adopting such operating budget. Director Lehto seconded said motion, which carried unanimously.
 8. Consideration was next given to review and approval of the debt service budget for the fiscal year ending July 31, 2012 presented by Ms. Bloomfield, a copy of which is attached hereto as **Exhibit "E"**. After discussion on the matter, Director Fritz moved that the Board approve the debt service budget for the fiscal year ending July 31, 2012, as presented and approve the Order adopting such debt service budget. Director Lehto seconded said motion, which carried unanimously.

9. Consideration was next given to review and approval of the engineering budget for the fiscal year ending July 31, 2012 presented by Mr. Williams, a copy of which is attached hereto as **Exhibit "F"**. After discussion on the matter, Director Fritz moved that the Board approve the engineering budget for the fiscal year ending July 31, 2012, as presented. Director Lehto seconded said motion, which carried unanimously.
10. Consideration was next given to a report from Texas Water Company on the Artesia water system operations, and authorizing expenditure of funds for operation and maintenance of water facilities. The Vice President recognized Mr. Madison, who noted that he had no operational or water quality problems to report. He reported that the Artesia water plant has been successful in keeping the proper chlorine residual and no customer complaints were received during the month. He requested Board authorization to terminate electric service to one meter at water well and to negotiate a rate with the service provider. After discussion on the matter, Director Fritz moved that the Board accept the report as presented and authorize Mr. Madison to terminate electric service to on meter at water well and negotiate rate with service provider. Director Lehto seconded said motion, which carried unanimously.
11. Consideration was next given to report for improving the City of Aubrey's ISO Public Protection Classification and the taking of any action necessary or appropriate in connection therewith. The Vice President noted that Chief Starr was not present and requested that he be invited to the Board's next regular meeting to present report and to present the Aubrey Fire Department budget. Upon motion duly made, seconded and unanimously carried, the Board deferred consideration of this matter until the next regular meeting.
12. Consideration was next given to customer utility service and billing complaints/requests. It was noted that no new requests had been received. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board closed this session of the meeting.

Directors Ryan and Tague entered and participated in the remainder of the meeting.

13. Consideration was next given to Homeowners Association Committees Report, and the taking of any action necessary or appropriate in connection therewith. The Board noted that no representative of the Artesia HOA was present to report at this time. Director Tague reported that the Savannah HOA did not issue any citations for fireworks violations. After discussion on the matter, Director Adams moved that the Board close the Homeowners Association Committees Report session of the meeting. Director Fritz seconded said motion, which carried unanimously.
14. Consideration was next given to Law Enforcement Committee Report; public safety and nuisance issue; and authorizing actions and expenditures as necessary in connection therewith. The President recognized Mr. Wilkerson, who presented and reviewed with the Board an activity/incident report relative to June. He discussed with the Board (a) an increase in hourly pay rate to \$35 per hour for the District contract peace officers at an annual impact of \$14,600 effective August 1; (b) the

- current District car is having mechanical problems and he is obtaining bids for a new District car; (c) need for a radio in the District car; (d) written reports previously filed; and (e) no major crime issues, although there was an unauthorized entry at amenity center and bicycle thefts. After discussion, Director Lehto then moved that the Board accept the report. Director Fritz seconded said motion, which carried unanimously.
15. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Winkler. The Board then considered necessary non-routine maintenance and repair of District facilities. Mr. Winkler reported relative to the construction in Savannah Phase 8A and Savannah Phase 10A. He noted that the walking trail along Fishtrap Road has been repaired as part of the Artesia Water line construction. Mr. Winkler presented and reviewed with the Board the final plat for Savannah Phase 8A. After discussion on the matter, Director Ryan moved that the Board approve the final plat for Savannah Phase 8A. Director Adams seconded said motion, which carried unanimously. Mr. Winkler then recommended approval of i) pay estimate No. 8 to Weir Bros. Inc. in the amount of \$50,597.15 for Savannah Phase 8A; ii) approval of pay estimate No. 1 to Weir Bros. Inc. in the amount of \$73,811.25 for Savannah Phase 10A; iii) payment to Gemini Inspections in the amount of \$2,536.50 for the silt fence removal along the Artesia water line; and iv) payment to Gemini Inspections in the amount of \$3,000.00 for the sidewalk replacement at the FM 1385 – Fishtrap Road intersection. After discussion, Director Adams moved that the Board approve items i) and iii) and defer approval of item ii). Director Lehto seconded said motion, which carried unanimously. After additional discussion, Director Lehto moved that the Board approve items iv) and v). Director Ryan seconded said motion, which carried unanimously. Mr. Winkler reported that one proposal for \$35,000 was received for the SCADA system and is currently being reviewed with Mr. Madison. He noted that a recommendation will be made at the next regular meeting. Mr. Winkler then discussed with the Board concurrence with the developer's proposed termination of the contract with Weir Bros. for Savannah Phase 10A and award of such contract to JRJ Paving LP. After discussion, Director Adams moved that the Board approve the developer's termination of contract with Weir Bros. for Savannah Phase 10A and award of such contract to JRJ Paving LP, subject to engineering approval to proceed. Director Fritz seconded said motion, which carried unanimously. After considerable discussion on the Report presented, Director Fritz moved that the Board: i) table the matter of authorizing installation of traffic buttons; ii) table the matter of authorizing street repair within Savannah; and iii) table the matter of inspection report on infrastructure construction projects. Director Lehto seconded said motion, which carried unanimously.
16. Consideration was next given to proposal from Corona Land Company, LLC for water injection of developed lots within Artesia Subdivision and authorize actions as appropriate. Mr. Harris presented the proposal from Corona Land Company LLC for water injection of developed lots within Artesia Subdivision. Mr. Crawford presented the District's consultants comments on the proposal. After discussion on the matter, Director Adams moved that the Board authorize the District's consultants to negotiate with Corona Artesia to reach a resolution of this matter, at the cost of Corona Artesia. Director Lehto seconded said motion, which carried unanimously.

17. Consideration was next given to approval and execution of Interlocal Cooperation Agreement – Tax Collection. Mr. Crawford presented and reviewed with the Board the Interlocal Cooperation Agreement – Tax Collection. After discussion, Director Ryan moved that the Board approve the Agreement, as presented. Director Adams seconded said motion, which carried unanimously.
18. Consideration was next given to authorizing the Delinquent Tax Collections Attorney to pursue the collection of delinquent taxes for 2010 and prior years, including the filing of lawsuits regarding same, as necessary. Mr. Crawford addressed the Board regarding such matter. After discussion, Director Ryan moved that the Board authorize the Delinquent Tax Collections Attorney to pursue the collection of delinquent taxes for 2010 and prior years, including the filing of lawsuits regarding same, as necessary. Director Lehto seconded said motion, which carried unanimously.
19. Consideration was next given to authorizing preparation of Unclaimed Property Report as of June 30, 2011. Mr. Crawford addressed the Board regarding such matter. After discussion, Director Ryan moved that the Board authorize the preparation of an Unclaimed Property Report as of June 30, 2011. Director Lehto seconded said motion, which carried unanimously.
20. Consideration was next given to authorizing completion and filing with the Secretary of State of Voting System Annual Filing Form relative to District elections. Mr. Crawford addressed the Board regarding such matter. After discussion, Director Adams moved that the Board authorize the completion and filing with the Secretary of State of the Voting System Annual Filing Form relative to District elections. Director Fritz seconded said motion, which carried unanimously.
21. Consideration was next given to engagement of auditor to prepare the District's audit report for the fiscal year ending July 31, 2011. The President recognized Mr. Tolden, who presented and reviewed with the Board an engagement letter with McCall Gibson Swedlund Barfoot PLLC with a fee of \$12,000 to \$14,000. After discussion on the matter, Director Ryan moved that the Board engage McCall Gibson Swedlund Barfoot PLLC to prepare the District's audit report for the fiscal year ending July 31, 2011. Director Adams seconded said motion, which carried unanimously.
22. Consideration was next given to status of establishing an economic development program for Savannah Town Center and other commercial properties, including implementation of a limited purpose annexation/strategic partnership with Town of Little Elm. After discussion, Director Adams moved that the Board table the matter until after the next meeting with the Town of Little Elm representatives. Director Ryan seconded said motion, which carried unanimously.
23. The Board next considered Executive Session pursuant to Sections 551.071(1)(A) and (B), 551.072, and 551.076, Texas Government Code, as amended, to consult with District Counsel, consider real estate matters, and deliberate regarding security. Upon motion by Director Adams, seconded by Director Ryan, the Board voted unanimously

to convene into Executive Session at 7:27 p.m. pursuant to Sections 551.071, Texas Government Code, to consult with District Counsel regarding potential and pending litigation.

Upon motion by Director Adams, seconded by Director Ryan, the Board voted unanimously to reconvene the meeting in open session at 7:58 p.m.

No action was taken with regard to the pending litigation against Centex Homes or violations of the District's regulation prohibiting water injection near District road infrastructure.

24. After noting that no further business was to come before the Board, upon motion duly made, seconded and unanimously carried, the meeting was adjourned at 7:59 p.m.

/s/ Mary Lehto *
Asst. Secretary

*Copy of signed original available upon request